

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 SS-15 NSC-05 L-03 AID-05

EB-07 COME-00 OMB-01 TRSE-00 CIEP-01 OPIC-03 CIAE-00

INR-07 NSAE-00 SP-02 /076 W
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FM AMEMBASSY PARIS

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INFO AMEMBASSY BERN

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DEPT PASS EXIM BANK

E.O. 11652: N/A

TAGS: BEXP, EFIN, SA, FR

SUBJECT: REQUEST FOR EXIMBANK COUNTER-GUARANTEE FOR
LOCKHEED CONTRACT

1. SUMMARY. REPRESENTATIVES OF CREDIT COMMERCIAL
DE FRANCE VISITED EMBASSY MAY 17 TO DISCUSS POTENTIAL
LOCKHEED CONTRACT WITH SAUDI ARABIAN GOVERNMENT AND
TO QUERY REGARDING POSSIBLE EXIMBANK ASSISTANCE.
END SUMMARY.

2. CREDIT COMMERCIAL DE FRANCE (CCF) REPS SAID THAT
ACCORDING TO LOCKHEED, SAG MINISTRY OF DEFENSE AND
AVIATION HAS APPROVED, IN PRINCIPLE, A \$511 MILLION
CONTRACT WITH LOCKHEED FOR AIR TRAFFIC CONTROL SYSTEM
FOR SAUDI ARABIA. EQUIPMENT (90 PER CENT CIVIL AND 10
PER CENT MILITARY) WOULD BE PROVIDED FROM U.S. BY LOCK-
HEED AND ITS U.S. SUB-CONTRACTORS (COLLINS RADIO, GROVE,
ITT) AND FROM U.K. BY ITS U.K. SUB-CONTRACTOR (MARCONI).

3. LOCKHEED TOLD CCF THAT CONTRACT CAN BE SIGNED
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AS SOON AS FINANCIAL GUARANTEE QUESTIONS ARE RESOLVED.

MORGAN BANK HAS AGREED TO PROVIDE "RETURN OF MONEY GUARANTEE" OF 10 PER CENT OR U.S. \$51 MILLION WHICH SAG WILL DISPERSE TO LOCKHEED ON DAY OF CONTRACT-SIGNING (THIS MONEY IN TURN WILL GO TO SUB-CONTRACTORS). PROBLEM ARISES CONCERNING SECOND "RETURN OF MONEY GUARANTEE" FOR 10 PER CENT WHICH SAG WILL DISPERSE TO LOCKHEED 3 MONTHS AFTER CONTRACT-SIGNING, AND 5 PER CENT PERFORMANCE BOND VALID FOR DURATION OF CONTRACT (APPROXIMATELY 40 MONTHS).

4. LOCKHEED APPROACHED CCF LAST WEEK WITH REQUEST THAT IT PROVIDE SECOND "RETURN OF MONEY GUARANTEE" AND PERFORMANCE BOND. (CCF REP SAID THAT LOCKHEED APPARENTLY PREFERS NOT TO GO TO SYNDICATE OF 24 U.S. BANKS WHICH IS ASSISTING LOCKHEED BECAUSE THE AMOUNT IN QUESTION IS TOO LARGE AND THE TIME WHICH WOULD BE REQUIRED TO ARRANGE GUARANTEES WOULD BE TOO LONG.) CCF IS WILLING TO PROVIDE GUARANTEES LOCKHEED HAS REQUESTED IF THEY ARE ABLE TO OBTAIN COUNTER-GUARANTEES ELSEWHERE. THUS, CCF REPS POSED FOLLOWING QUESTION: WOULD EXIMBANK AGREE TO COUNTER-GUARANTEE PART OR ALL OF THE "RETURN OF MONEY GUARANTEE" AND THE PERFORMANCE BOND WHICH CCF WOULD PROVIDE LOCKHEED? ACCORDING TO CCF, OTHER OFFICIAL EXPORT CREDIT INSTITUTIONS, E.G. COFACE, MAY IN CERTAIN CASES PROVIDE THIS TYPE OF SERVICE WHEN COUNTRIES CONCERNED ARE CREDITWORTHY AND COMPANIES ARE INVOLVED IN PROJECTS OF SUCH A LARGE NATURE THAT THE REQUIRED GUARANTEES/BONDS FAR EXCEED THEIR FINANCIAL CAPACITY.

5. ACTION REQUESTED. EMBASSY WOULD APPRECIATE EXIM-BANK'S RESPONSE TO ABOVE QUESTION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT GUARANTEES, FINANCIAL AGREEMENTS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS14656
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760192-0430
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760542/aaaabjjo.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 20 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 APR 2004 by ellisoob>; APPROVED <19 AUG 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR EXIMBANK COUNTER-GUARANTEE FOR LOCKHEED CONTRACT
TAGS: BEXP, EFIN, SA, FR, US, LOCKHEED, XMB, CCF, MORGAN BANK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006